

II. A New Direction For Service

What if the Internal Revenue Service thought of taxpayers as customers? What would a customer-driven IRS look like? How would the experience of taxpayers change as they filed their taxes? What can the IRS learn from business, other government agencies and its own employees about serving its customers?

These questions were the starting point of this report. The IRS Customer Service Task Force was asked to follow President Clinton's Executive Order 12862, "Setting Customer Service Standards," which called for a customer service revolution in government. The members of the Task Force reviewed a decade's worth of surveys, reports and other data about what taxpayers want and what they complain about. They looked at the experiences of different customer segments — for example, individual taxpayers, small businesses and tax preparers. They compared IRS performance and practices with some of America's best companies and public agencies. They talked to hundreds of taxpayers and IRS employees to find ways to dramatically change how information and services are delivered by the IRS to its customers.

There is no doubt that the IRS can become more responsive to taxpayers and offer customer services that are equal to the best of government and business. This fall

"How can people trust government to do big things if we can't do little things like answer the telephone promptly and politely?"

Vice President Gore

the IRS TeleFile program was honored as one of the top ten innovations in government for 1997 by the Ford Foundation and Harvard University's Kennedy School of Government. Under this model program, taxpayers using the 1040EZ tax return can file quickly and easily by telephone. Nearly five million taxpayers filed by telephone through the TeleFile program in 1997, a 65 percent increase from the previous year. Customers aren't charged anything to use TeleFile — the number is toll free — and it is also popular with users because they get faster refunds. Refunds — which can be deposited directly in taxpayer bank accounts — take an average of three weeks, compared with six to eight weeks for paper returns.

TeleFile is one example of the kinds of changes that the IRS is making to be more responsive to the needs of taxpayers. Despite the success of TeleFile and other modernization efforts, however, the IRS hasn't kept pace with the improvements in business practices, customer service and related technology that individuals have come to expect in the private sector.

The Task Force focused on how the IRS deals with taxpayers, defining more than 200 specific actions to improve the products and services that the IRS provides. This section describes many of those actions and how they will affect the IRS's customers.

II.a Simplify Forms, Notices And Correspondence

Background: Customer surveys, focus groups and reports reviewed by the Task Force document taxpayer complaints about how hard it is to understand tax forms and IRS notices. Form 1040, the most common tax package (used by 66 million individuals), looks basically the same as it did 20 years ago — hard to use, too many lines and lots of small print. Additionally, even tax professionals list “lack of clear notices” among their top complaints. Considering that the IRS sends out more than 100 million notices every year, this is no small problem. Unclear forms and notices also lead to taxpayer mistakes and account for many telephone inquiries and visits to IRS walk-in centers, resulting in costs for taxpayers. Along with increasingly complex tax laws, hard-to-understand forms and instructions are certainly part of the reason that 50 percent of taxpayers hire a professional to do their taxes.

Although the IRS has begun to rewrite its notices, forms, and publications, the Task Force found that many are still difficult to understand and use technical language that would not make sense to the average taxpayer.

Public and private entities are finding that there are powerful benefits to using plain language that people can understand. The National Performance Review, which has promoted the use of plain language across the

government, worked with the Task Force to demonstrate what is possible. Together they rewrote IRS Notice Number CP-2000, a notice that is sent to nearly one million taxpayers each year advising them that the IRS is proposing changes to their tax returns. The current notice is five pages packed with single-spaced paragraphs written all in capital letters, with explanations and instructions interspersed. The one-page rewrite has a simple explanation of the proposed changes, a few explanatory paragraphs and clear directions for what to do if the taxpayer agrees or disagrees with the IRS. The redesigned notice also gives a telephone number and the hours during which taxpayers can call if they have questions.

Current Notice Format

WE'RE PROPOSING CHANGES TO YOUR 1996 TAX RETURN

WE ARE PROPOSING CHANGES TO YOUR 1996 TAX RETURN BECAUSE THE INFORMATION ON YOUR TAX RETURN DOES NOT MATCH THE INFORMATION REPORTED TO US BY YOUR EMPLOYERS, BANKS, AND OTHER PAYERS.

THIS NOTICE EXPLAINS WHAT TO DO IF YOU AGREE OR DISAGREE WITH OUR PROPOSED CHANGES. PAGE 2 SHOWS THE PROPOSED CHANGES TO YOUR 1996 ACCOUNT. WE PROPOSE TO INCREASE YOUR TAX. IF YOU AGREE WITH THIS CHANGE, YOU WILL OWE US \$4,060.

PLEASE COMPARE YOUR RECORDS WITH THE PAYER INFORMATION SHOWN ON PAGE 2 OF THIS NOTICE. IF YOU AGREE WITH THE PROPOSED CHANGES ON PAGE 2:

- CHECK BOX A ON THE LAST PAGE OF THIS NOTICE.
- SIGN AND DATE THE CONSENT TO TAX INCREASE.
- ENCLOSE YOUR PAYMENT IN FULL, IF POSSIBLE, IN THE ENCLOSED ENVELOPE.
- RETURN THE LAST PAGE OF THIS NOTICE ALONG WITH YOUR PAYMENT IN THE ENCLOSED ENVELOPE.

IF YOU DON'T AGREE WITH THE PROPOSED CHANGES ON PAGE 2:

THIS NOTICE EXPLAINS WHY YOU DISAGREE, AND YOU WISH US TO CONSIDER, AND ON THE LAST PAGE OF THIS NOTICE WITH YOUR INCLUDE A TELEPHONE NUMBER, INCLUDING AN AREA CODE.

IF YOU COMPLETE YOUR RESPONSE WITHIN 30 DAYS FROM THE DATE OF THIS NOTICE, WE WILL RE-EVALUATE YOUR TAX. IF YOU DON'T AGREE WITH OUR COMPUTATION OR CAN'T PAY THE RESPONSE, INTEREST ON ANY AMOUNT YOU OWE WILL BE ADDED TO YOUR TAX. IF YOU DON'T PAY THE TOTAL AMOUNT YOU OWE, WE WILL FILE AN AMENDED FEDERAL AND STATE TAX RETURN FOR YOU AND INTEREST YOU OWE. IF YOU DON'T PAY ANY ADDITIONAL TAX AND INTEREST AS REQUIRED, WE WILL FILE YOUR TAX, ANY PENALTIES, AND ADDITIONAL INTEREST.

We are Proposing Changes to your 1997 Tax Return

We are proposing changes to your 1996 income tax return because information you reported does not match what was reported to us by your employers, banks, and/or other payers. Our proposed amount you owe is \$4,060. See our proposed changes on Form XXXX and the payer information on Form XXXX.

Please compare your records with the payer information. It shows the information that we used for our proposed changes. To assist you in reviewing your return, the payer information may show both reported and unreported amounts. However, the proposed changes shown on Form XXXX are based on the unreported amounts only.

If you AGREE with Our Proposed Changes:

- Check Box A on the response page of this notice.
- Sign and date the total agreement statement, and
- Send us the response page in the enclosed envelope.
- If possible, enclose your payment in full. If you cannot pay the full amount, you can request an installment agreement.

If you DISAGREE with Our Proposed Changes:

- Check Box B on the response page of this notice.
- Enclose a signed statement explaining each change you disagree with and why you disagree.
- Include any supporting documents you wish us to consider, and
- Send us the response page with your statement and supporting documents in the enclosed envelope.

It is important that we receive your response by February 5, 1998. If we do not receive your response, we will conclude that our proposed changes are correct. Then we will send you a Notice of Deficiency followed by a bill for the proposed amount you owe plus additional interest.

Revised Notice Format

Plain Language Pays

- Citibank's plain English loan form cut staff training in half.
- A U.S. Navy study showed that plain writing took Naval officers 17 to 23 percent less time to read than material written in a bureaucratic style.
- Great Britain's Customs Service redesigned its lost baggage form and reduced errors from 55 percent to 3 percent.
- The Canadian province of Alberta's agriculture department found that their rewritten plain language forms saved at least 10 minutes per form in staff time, about \$3.5 million total annual savings.
- The Federal Communications Commission eliminated public inquiries about the requirements for Ham Radio and Operators when it rewrote the regulation in plain English.

When the Task Force looked at the experience of other government agencies using plain language, it also learned how important it is to get ordinary individuals, rather than just tax professionals, to review notices. For example, the Department of Veterans Affairs did extensive testing when it began to rewrite all of its communications with veterans and their families. One such letter informed veterans that the agency was issuing a replacement check for a check that hadn't been cashed. During testing, veterans were asked what they'd do when they got the letter. They all said they'd telephone to find out when the check would be issued. An additional sentence saying when to expect the check headed off needless telephone calls.

Problem: IRS notices, forms and letters are often unclear.

Actions: *Notices and Correspondence:* The IRS will work with the National Performance Review's Plain Language Team to rewrite the "top 10 worst offenders" by the end of 1997 (NCO1.3). By 1999 the IRS will completely rewrite in plain language its most frequently used notices,

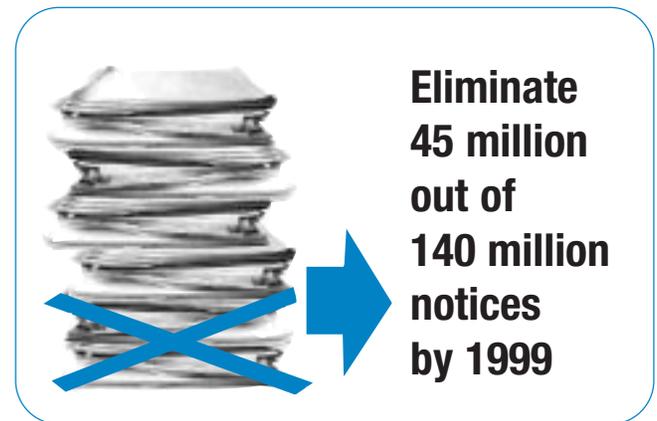
like those for late payment or mathematical errors. These notices will only be released after they are tested for clarity and acceptance by taxpayers without accounting or tax law expertise (NC01.1).

The IRS should ensure acknowledgment of the communications it receives from taxpayers about problems and apologize when it makes a mistake (CM01.4). To improve the quality of its correspondence, the IRS should immediately review and carry out all appropriate recommendations contained in a 1990 IRS study of correspondence — for example, requiring that all non-computer-generated notices and letters contain the signature and telephone number of the employee who will be working on the account (NC03.1). It should also standardize the format and content of written responses, using appropriate commercial computer software (NC03.4). With a view to more timely communication with customers, the IRS should review past records of incoming correspondence to see which categories could be better handled by making a telephone call, rather than writing a letter, and make recommended changes (NC03.2, NC03.3).

Forms: The IRS should redesign its most important forms and publications, focusing on clarity and ease of use (CM01.1). By 2000 the IRS will rewrite the basic 1040 instruction package, testing it for clarity with people who do not have tax law or accounting backgrounds (CM01.2).

- **Eliminate Unnecessary Notices And Contact With The IRS**

Problem: Taxpayers want to keep their contact with the IRS to a minimum. The IRS has a record of sending out notices whose costs (both to the taxpayer and to the



IRS) are greater than their benefit. Based on a major re-engineering project, the IRS identified more than 50 notices that could be done away with and has already eliminated 33 notices. In addition, the IRS reviews and processes tax returns that do not need to be filed. In 1996, for example, nearly two million senior citizens, students and other low income taxpayers who didn't need to file tax returns did so anyway, either from habit, or from fear of getting in trouble with the IRS.

Actions: By the end of 1998 the IRS will eliminate additional low-value notices. This will eliminate more than 45 million pieces of mail annually, almost one-third of the total number of notices the IRS has been sending to taxpayers (NC02.5). In 1998 the IRS will step up its efforts to inform the nearly two million older and lower-income taxpayers who are currently filing federal tax returns that they don't need to do so, saving the taxpayers and the IRS time and money (FP01.1).

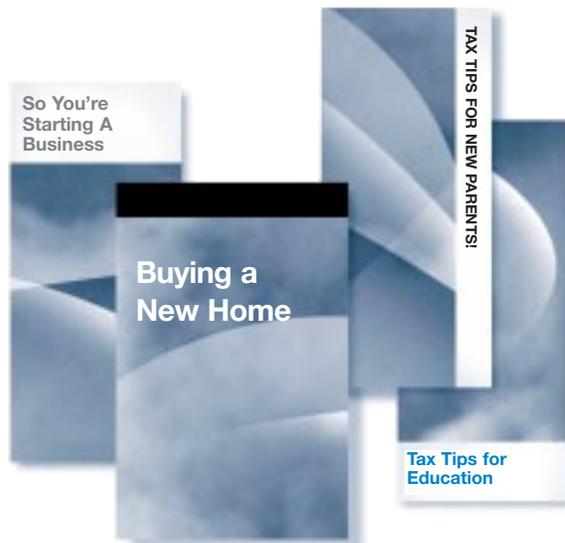
The IRS should study doing away with the requirement to file Form 4868, Application of Automatic Extension of Time to File U.S. Individual Income Tax Return, except when a

payment is due (FP02.1). Barring any statutory impediments, the IRS should also find ways to reduce the number of notices sent to taxpayers concerning small amounts of money. As a first step, the IRS should review all relevant information to determine if the dollar level at which notices are issued can be increased (NC02.9, NC02.10).

• Tailor Communication To Customers

Problem: Taxpayers complain that the publications and correspondence they receive from the IRS don't answer their questions or fit their particular situations. For example, when they buy a house, they want easy access to the relevant tax information. In addition, there is a rapidly growing group of taxpayers who do not speak English. They need information about their tax obligations in languages they understand.

Actions: The IRS should tailor its publications and products more closely to the needs of its customers (CM04.1). It should improve and expand the availability of



tax products and information in Spanish and other languages as needed (CM03.1, CM03.2). During 1999 the IRS should create easy-to-read brochures to provide important information on tax benefits and obligations when and where taxpayers need it, such as at banks or realty companies during the process of purchasing a home (CM04.2). The IRS should also ensure prompt distribution of information about new tax laws and other issues to its employees (CM01.3).

• Reinvent How Notices Are Managed

Problem: The Task Force found that when and how notices are issued has an impact on workloads elsewhere in the IRS. Most notably they contribute to a surge in telephone calls at certain times of the year and on certain days of the week. For example, IRS experience indicates that mailing notices between Wednesday and Friday contributes to the significant spike of telephone calls that clog lines on Mondays and Tuesdays.

Actions: The Task Force identified many ways in which better management of when and how notices are issued significantly benefits customers and the IRS. To distribute the workload and demand on telephone lines more evenly, the IRS should map the pattern of when and how notices are issued (NC02.1) and merge those with telephone performance data (NC02.2). This will enable the IRS to identify problem areas, adjust the notice issuance pattern from peak to non-peak periods and even out the notice issuance pattern throughout each tax year. The IRS will make sure that if a notice includes a telephone number, it will be the telephone number for employees who can answer questions that the notice might generate (NC02.3, NC02.6, NC02.7, NC02.8). The IRS should integrate these

changes into its overall network management, call-routing, forecasting and scheduling system (NC02.4).

The IRS should establish a new full-time position of a “notices gatekeeper,” who will have the authority and accountability to manage the entire notice process (NC02.13). The responsibilities of the job should include:

- Ensuring adherence to IRS policies regarding the use, generation, and mailing of corporate notices (NC02.14);
- Providing a linkage with automated call-routing capability (NC02.15);
- Providing input into the standard-setting for new notices (NC02.16);
- Determining the appropriate software solution to create rewritten notices and merge them with the appropriate account data (NC01.2);
- Alerting all customer service assistants, walk-in managers and customer advocates about any new, irregular, or problem notices (NC02.17); and
- Establishing an improved “early warning system” so that the IRS can notify tax preparers and others promptly when problem notices are generated and mailed (NC02.18).

- **Forward The Mail**

Problem: The IRS has not had the authorization to use U.S. Postal Service change of address information to update its address lists. With 40 million households and

businesses moving every year, this creates problems for customers who, for example, don’t receive refund checks or notices about errors or penalties. This problem costs the U.S. Treasury an estimated \$100 million annually in lost revenues attributed to undelivered mail addressed to business customers alone.

Actions: The Task Force identified several ways to address the problem of undelivered mail, most of which can be carried out without changes in the law.

The IRS should track returned and undelivered mail, review current procedures for handling it, and determine precisely how much this process costs the IRS (NC04.1). Since updating addresses in IRS computer files with information from third parties may require regulatory or legislative changes, the IRS should examine the legal issues involved and propose any necessary changes (NC04.2).

The IRS should use change of address information to forward mail. Specifically, it should develop procedures for getting change of address information from taxpayers over the telephone or from a third-party source such as the United States Postal Service (NC04.3). The IRS should explore using the United States Postal Service’s existing change of address mechanisms to ensure that mail is forwarded to the right addresses (NC04.4). Utilizing this method for address changes could save the IRS and the taxpaying public millions of dollars due to more accurate efficient mailing processes. After developing a system for electronically updating addresses in its computer files, the IRS should install and maintain the system (NC04.5).

II.b Provide Better Telephone Service

Background: The IRS runs the nation's most heavily used 800-number operation, larger than private industry's two largest call centers, United Airlines and the General Electric Answer Center. As of September 1997, an estimated 103 million callers had reached the IRS by phone, up from 90.3 million in 1996 and 100.9 million the previous fiscal year.

In the ten-month period ending in August 1997, two-thirds of the people who called the IRS eventually got through. But many of those people had to make multiple calls to the IRS — either because they couldn't get through the first time, got put on hold, or gave up for some other reason. The IRS estimates that 162 million calls (as opposed to callers) got a busy signal in 1996.

After consistent complaints about the accuracy of answers that taxpayers receive to their inquiries, the IRS made an aggressive effort to improve the accuracy of answers provided by customer service representatives. The General Accounting Office reported that the IRS had raised the accuracy of answers from 63 percent in 1993 to 89 percent in 1996 and, according to the IRS, to 95 percent in 1997.

Taxpayer expectations of telephone service are based on private industry standards: customers have their calls

answered in ten seconds, receive a busy signal less than one percent of the time, and have their question answered or problem solved with a single phone call 85 percent of the time.

In the public sector, the Social Security Administration has shown what can be done with a concerted, broad and sustained effort to improve telephone service — establishing an 800-number service that, according to an independent customer survey by Dalbar, Inc., is bigger and better than such top-ranked private operations as L.L. Bean, Disney, Xerox and Southwest Airlines. Even after receiving this top rating, Social Security continued to improve service and reduce the time required to reach a customer service representative — shifting staff to its call centers during peak periods, converting data centers to handle overflow calls on the busiest days, and setting up an easy-to-use 24 hour automated system to answer the most frequently asked questions.

The Task Force found that best-practice companies and public agencies tap the knowledge of front-line representatives for ideas because, according to Tony Nicely, the Chief Executive Officer of GEICO, "The front-line worker who answers 25,000 calls a year knows more about the customer and the operation than anyone."² These companies also use many strategies to improve telephone service, including reducing the customers' need to call for information. For example, utilities facing a power outage automatically send faxes to radio stations and other media outlets to get urgent information out to affected customers, giving them the information they need and cutting the number of telephone inquiries.

² Tony Nicely, CEO, GEICO at an IRS Customer Service Task Force presentation.

Some of the actions that the Task Force calls for elsewhere in this report — such as writing notices in plain language and providing better computer support to front-line employees — will contribute to substantially improved telephone services. The actions below focus on the telephone system itself.

- **Provide Telephone Services 24 Hours A Day, Seven Days A Week**

Problem: IRS customer surveys, General Accounting Office reports, and other data that the Task Force reviewed are clear — taxpayers want better phone service. They want it available when it is convenient for them, including weekend and evening hours. Customers want to be able to get through and don't want to get busy signals or be put on hold. They want an easy-to-use telephone menu and to be able to reach an IRS representative. They want accurate answers to and fast resolution of problems.

Actions: By January 1, 1998 the IRS will expand telephone service to 6 days a week, 16 hours a day. By January 1, 1999 the IRS will expand telephone services to 7 days a week, 24 hours a day (C101.2). In addition, the IRS will use multiple strategies to reduce demand on the telephone lines, such as educating customers on when to expect refunds (C101.4).

Telephone Service

- **1997**
12 hours a day / 5 days a week
- **1998**
16 hours a day / 6 days a week
- **1999**
24 hours a day / 7 days a week



- **Support Service With Modern Technology**

Problem: With the current automated telephone menu, many callers hang up before getting to the services offered on the menu. Callers are also often frustrated because they cannot get accurate answers to their questions.

Actions: Over the long term, the IRS Modernization Blueprint (see p. 27) will improve assistance to customers by making accurate, electronically accessible, and up-to-the-minute information on taxpayer returns and accounts available to authorized employees (C101.7). These technological improvements will help employees resolve taxpayer problems in a single telephone call while protecting taxpayer privacy with stringent security systems. In 1999 the IRS will take steps to make the TeleTax refund information system more reliable to help more taxpayers check on the status of their refunds over the phone (C101.8). The IRS should also complete a study of why people hang up when they use the automated menu and recommend ways to fix this problem (C102.1).

- **Customize More Services To Meet Taxpayer Needs**

Problem: Taxpayers with questions often have trouble reaching a representative who has the information they need, speaks their language, or has specialized expertise such as that needed by tax preparers.

Actions: The IRS should provide more customized services that respond to the needs of tax practitioners, small businesses, those who don't speak English, and other customer segments with particular needs. As part of

the IRS Modernization Blueprint, in 1998 the IRS will begin using new call-routing technology to gear service to specific customer needs — such as the sale of a house, a job change or retirement (CI01.1) — as well as providing simpler telephone menus to let customers access information more easily.

The IRS should also provide nationwide telephone services for tax preparers through special phone gates (CI01.6), and continue to provide specialized assistance to large corporations in its service centers (CI03.13). The IRS should conduct a study to determine if having only one toll-free telephone number is sufficient to meet customer needs (CI03.12).

To further improve the quality of phone service, the IRS should allow employees with multilingual skills to assist customers in Spanish and other languages (HP14.1). Also, IRS notices should advise taxpayers the best time of day to call to discuss their particular type of question. In turn, the IRS should use its data systems to let employees answering the telephones know when to expect these kinds of calls so that they are prepared to help (CI01.3).

Modernization Blueprint

On May 15, 1997, the Department of the Treasury and the IRS published a plan to dramatically modernize the information technology systems of the IRS. The Blueprint clearly gives priority to implementing those aspects of the plan that will have direct benefits for taxpayers. When fully created, the Modernization Blueprint will:

- **Create a “data engine” to give the IRS capabilities comparable to customer-oriented, private sector financial service companies;**
- **Let taxpayers reach the IRS via the Internet and telephone to facilitate filing and resolve taxpayer account issues;**
- **Give taxpayers user-friendly, computerized taxpayer assistance;**
- **Let taxpayers work with authorized customer service representatives who have on-line access to current, complete and accurate information; and**
- **Provide stringent systems and data security to protect taxpayer privacy.**

To carry out the Modernization Blueprint, the IRS is joining with the private sector to develop technologies that meet the best practices of industry and are in full compliance with applicable federal laws, rules and regulations. The customer service component of the Blueprint is scheduled to begin on October 1, 1998, with the competitive award of a Prime Systems Integration Services Contract to a team of technology companies.

The U.S. Congress has concluded that the “... IRS has made significant progress in putting together a workable modernization program” and, to support the modernization of its information technology, has appropriated \$325 million in fiscal year 1998 to fund the Modernization Blueprint.

II.c Provide Better Face-To-Face Service

Background: “The biggest complaint I hear from taxpayers is ‘There’s no place to get forms and no one to talk to face-to-face when you have a problem.’ We have no taxpayer service and no forms in this building,” says revenue officer James Watkins of the Dallas, Texas District Office, adding that taxpayers seeking forms and services must drive 15 miles and contend with downtown traffic and parking problems in order to get the help and forms that they need.

Focus group interviews conducted by the IRS between 1993-1997 confirm this complaint. Many of those interviewed said that they liked walk-in services as a way to find forms, get answers to complex questions, and resolve issues concerning their tax accounts — especially during the tax filing season. Customers complained that, because telephone service has been difficult to access and because they aren’t yet accustomed to doing business over the Internet, office closures and inconvenient hours and office locations make it difficult to deal with the IRS.

Because telephone and Internet services are preferred by so many customers, the IRS is working aggressively to improve the quality of those products and services. However, face-to-face help is likely to remain an important part of IRS customer service. Elderly taxpayers in particular prefer face-to-face assistance. But the elderly aren’t

alone. “Last week a younger couple drove to Bismarck from Minot (110 miles) after they had called the toll-free number, had been on the phone for an hour, and still were confused as to what action to take and didn’t feel that their problem was resolved. Within 5 minutes of visiting me, they had the resolution to their problem,” reports Joan Ostby, an IRS employee who works in the Bismarck, North Dakota IRS office.

Since 1995 budget constraints have forced the IRS to close 127 walk-in centers; only 267 of the remaining 422 centers offer a full range of services, including access to forms and taxpayer and collection assistance. Furthermore, only half of the centers are open seven hours a day and none are open after 5 p.m. or on Saturdays, even during the tax season. When the IRS cut back on the number of walk-in offices in an effort to cut costs and improve efficiency, and as a result customers couldn’t get forms and personal help where they had previously, the negative reaction was strong. And demand for face-to-face services is growing; in 1997 the IRS served 9 million walk-in customers, a 50 percent increase over 1996, even though there were fewer walk-in offices.

In searching for cost-effective ways to provide more face-to-face service and better access to forms, the Task Force found that many public agencies are working with each other and with private groups to offer one-stop services that are more convenient for the public and more cost-effective for the agencies concerned. For example, the National Park Service and the Forest Service teamed up with REI, a major Seattle-based sporting goods retailer, and established a booth in REI’s flagship store where

rangers provide information on park openings, river and trail conditions and more. Rangers reach more than twice as many outdoor enthusiasts this way. The booth is also more convenient for customers and open for longer hours and on weekends, and the government has saved money on office costs.

In Minnesota, after state tax authorities converted a drive-in fast food stand to an outlet for tax forms, the IRS joined in the operation. Today drive-through taxpayers do one-stop shopping at what's known as the "great Minnesota tax shelter."

- **Expand Walk-In Services**

Problem: Walk-in offices are often closed when taxpayers need them most — for example, on weekends during the filing season — and many do not provide key services.

Actions: Beginning in 1998 the IRS will open district offices on Saturdays during the busiest weekends of the filing season (C104.2). It should also offer a more comprehensive range of services in walk-in offices so they are more responsive to customer needs — including employees with the training and ability to solve problems, better equipment, a full stock of forms on CD-ROMS and other material to serve customers. The IRS should also expand the telephone information system so that people can find out when and where they can get face-to-face help (C104.3). And it should study the feasibility of extending audit appointments to include evenings and weekends for the convenience of the customer (C106.13).

Because the IRS believes that some customer segments still rely on walk-in services, before closing a walk-in

office, the IRS should create a plan for effective alternatives to serve those customers (C105.1). If an office with walk-in services must close, the district should conduct a public media campaign to inform the public of the closure and where to seek help in the future (C105.2).

- **Make Forms More Available**

Problem: Customers often complain that they have a hard time finding the forms they need when they need them.

Actions: The IRS should make forms more available to those customers who do not use the Internet, and publicize the location of forms to taxpayers (CM02.3). Beginning in 1999 the IRS will open additional temporary community-based locations during the peak season to make publications and forms available in banks, libraries, shopping malls and other locations (C104.1). The IRS should work with state and local tax agencies to establish one-stop "tax stores," locations where forms and other tax services can be provided (C104.4).

The IRS has developed new ways to distribute tax forms and publications electronically through CD-ROM technology, fax-on-demand and personal computers, and should expand the use of CD-ROMs to ensure that forms and publications are available in all walk-in offices. It should also make available master versions of basic 1040 forms and tax tables in copy stores and other locations where they can be photocopied (CM02.2). The IRS should also make expanded use of the Internet to meet taxpayer needs, supplementing current forms and publications with updated tax information (CM02.1).

II.d Help Small Businesses

Background: Small businesses are both the fastest growing part of the national economy and a critical player in the nation's tax system. They pay billions of dollars in taxes and file 99 percent of all business tax returns. Collectively, small business is the nation's largest private employer, accounting for 53 percent of private sector jobs. Small businesses are also the backbone of the wage reporting and withholding system that assists federal, state and local authorities in collecting taxes. Based on these numbers, it is not surprising that small businesses represent more than half of the compliance cases that the IRS handles. And, despite the vigor of the small business sector, many close their doors each year. In 1996, 50,000 of them went through bankruptcy. When a small business gets in trouble, tax issues compound its problems. Everyone — small businesses, taxpayers and the IRS — stands to gain by making it easier for small businesses to fulfill their tax obligations.

To deal with problems like these, the IRS established a Small Business Affairs Office and has also developed EZ forms to simplify tax filing for many businesses, including the Form 1040 Schedule C-EZ, which let two million small business owners file a very much simplified return in 1996. The IRS has worked with other federal agencies to create a "U.S. General Store" in Houston to provide

convenient tax and other services for small businesses. Similar centers have been established in Indiana, Minnesota, Mississippi and other states. The Kansas City Service Center established a Federal Tax Deposit Penalty Help Line to help business customers make deposits correctly.

Many of the actions that the Task Force has called for in other parts of the report will benefit small businesses directly and indirectly. The following actions are intended to benefit them specifically, but apply to the self-employed and larger businesses as well.

- **Help Start-Up Businesses**

Problem: Many small businesses struggle right from the start, having a hard time simply learning what the tax and regulatory rules are and how to comply with them. The checklist of what is required for a new small business is daunting (see box on p. 34).

Just one of the requirements, the Federal Tax Deposit system, requires businesses with employees to withhold and deposit a portion of their employees' wages and salaries for federal income, Social Security and Medicare taxes, in addition to state and local requirements. According to the General Accounting Office, a small business in Cleveland, Ohio with six employees would have to submit at least 56 federal, state and local tax deposits over the course of a single tax year, including the collection and payment of seven different employment taxes. Many make mistakes on their Federal Tax Deposits. While the IRS generally waives the penalty the first time small businesses make a mistake on these deposits, it has not used this first mistake as an opportunity to help small businesses get it right the next time.

Federal Tax Checklist For Starting A New Business

- ✓ Apply for Employer Identification Number (Form SS-4)
- ✓ Begin estimating tax payments (Form 1040 ES)
- ✓ Report annual taxes, profit or loss (Form 1040, Schedules C, C-EZ or F)
- ✓ Report any supplemental income and loss (Form 1040, Schedules E and S)
- ✓ Figure withholding for federal income tax, Social Security and Medicare (Circulars E and A)
- ✓ Make Federal Tax Deposits (Form 8109B, Over the Counter or EFTPS)
- ✓ Report annual taxes (Forms 1065 and 1120)
- ✓ Report capital gains or losses (Form 1065, Schedule E)
- ✓ Report partner's shares (Schedule K-1)
- ✓ S-corporations (Form 2553)
- ✓ Report shareholder's shares (Form 1120S, Schedule K-1)
- ✓ Heavy vehicle uses (Form 2290)
- ✓ Report cash payments over \$10,000 (Form 8300)
- ✓ Pay federal unemployment taxes (Form 940)
- ✓ Pay quarterly taxes on employees (Forms 941, 943, 943A)
- ✓ Ask employees to complete withholding certificates (Forms W-4 and W-5)
- ✓ Issue wage and withholding information to employees (Form W-2)
- ✓ Issue wage information to sub-contractors (Form 1099)
- ✓ Report information from W-2s issued (Form W-3)
- ✓ Report information from 1099s issued (Form 1096)

Actions: To assist new small businesses, beginning in 1998 the IRS should team up with other federal agencies, financial institutions, tax preparers, state and local authorities and others to provide tax information, training and consultative services to small start-up businesses. These services will be designed to make record keeping, filing and payment requirements as simple and easy as possible (SB01.2).

The IRS should create and make available to new businesses a start-up kit with multi-agency tax information (SB02.2). The organization should also assist new employers who have just applied for Federal Employer Identification Numbers with information on relevant tax requirements (SB01.1). It should send a letter to business customers who have made first-time deposit errors to tell them if the penalty has been waived and to tell them how to avoid mistakes in making their next deposit (SB05.1). Furthermore, the IRS should develop and publish clear, simple brochures giving tax tips on new obligations as businesses change — for example, when hiring employees, expanding the business, converting from a sole proprietorship to a partnership, incorporating, or shutting down (SB03.3).

• Communicate More Clearly With Less Paper

Problem: The tax laws — and the regulations, forms and instructions that translate them into reality — are complex. Small business people told the Task Force in focus groups that they decided not to hire employees just to avoid dealing with the record keeping, reporting and withholding requirements. Small businesses need simpler forms, clearer instructions, notices and letters. But getting it right is such a challenge that they also need special

attention. Giving small business this kind of special help, especially when they are starting up, can not only help keep businesses in business, but can also drive down the IRS workload, saving taxpayers money.

Actions: The IRS should reduce the paperwork burden for small businesses, encouraging them to use e-mail to resolve tax account problems (once the IRS develops a way to protect the privacy of taxpayer information over e-mail) (SB04.3) and continuing the development of EZ forms for incorporated businesses and other filing entities (SB03.4).

In 1998 the IRS should expand the successful TeleFile program to allow many small businesses to use their telephones to file Form 941 and report employment taxes (SB04.2). The IRS should seek ways to let small businesses use credit cards as a payment option for tax balances due at no cost to the government (SB04.5). It should also find out how to help and encourage small businesses to use the Electronic Federal Tax Payment System, conducting focus groups to get feedback on the system from small business customers and marketing the electronic system in ways that make clear how it can benefit small businesses (SB05.3).

To ensure that correspondence, notices and forms are easy to understand, the IRS should test new forms and publica-

tions for clarity with small business owners and employees (SB03.2); rewrite notices in a manner that they understand (SB08.1); and standardize the format and content of written responses to reduce inconsistencies in notices that are sent to small businesses (SB08.5). The IRS should also find ways to notify small business customers promptly if problem notices are generated and mailed (SB08.3), and also identify notices that can be eliminated or sent less frequently (SB08.2). The IRS should develop a permanent method to seek feedback from small businesses about which forms, publications and specific line items are the most problematic (SB03.1).

• Provide Knowledgeable, Convenient Help

Problem: Small businesses have difficulty getting their tax questions answered and problems resolved.

Actions: By the 1999 tax season, IRS should provide small businesses with 24 hour a day phone assistance geared to their needs, within the menu options available on the toll-free assistance line (SB07.1) and should also seek to route telephone calls from small businesses to employees who have the training and the authority to answer business tax questions and resolve account problems (SB07.2). Furthermore, the IRS should review the existing and proposed uses of IRS interactive voice response units to ensure that small business needs are met in a cost-effective manner (SB07.3). Since small businesses prefer to do business over the phone, the IRS should explore the use of telephone calls instead of written notices or letters (SB07.4).

The IRS should continue exploring new methods of communicating with small businesses (SB08.4), as well as partnering with trade associations to provide timely, updated

What Small Businesses Say They Want³

- Easy-to-understand forms
- Reduced burden for reporting, filing and record keeping
- Sincere help solving problems
- Employees who listen to and understand taxpayer concerns
- Service provided correctly the first time
- Understandable letters and notices
- Fair treatment consistent with the law

tax information specific to small businesses in a variety of industries. Through association newsletters, trade journals, websites, and other communication systems (SB01.3), the IRS could communicate with small businesses more effectively.

Because of the growing number of companies that conduct business in languages other than English, the IRS should improve multilingual communications with them, including written, face-to-face and telephone communication (SB09.1). To begin meeting the needs of some of those customers, the IRS should — depending on demand — provide a nationwide toll-free Spanish language telephone service for small business owners (SB09.2). It should also create forms, publications, notices and brochures in Spanish (SB09.3).



“¿Como le puedo servir?”

• Promote One-Stop Service

Problem: Small businesses are sometimes frustrated by the time required to deal with so many different government entities — federal, state and local — and with the many filing and reporting requirements that have similar, but not identical, data needs. They are also frustrated when they try to get answers or resolve problems and cannot reach the IRS by telephone or in person, have correspondence go unanswered, or deal with IRS employees who lack the training to deal with business questions.

Actions: So that small businesses will be able to submit a single report with tax and wage data to meet the requirements of the Internal Revenue Service, Social Security Administration, the Department of Labor, and state agencies, the IRS should continue to work to support the Simplified Tax and Wage Reporting System program (SB04.1) and develop a strategy to open more one-stop business assistance centers in partnership with federal, state, and local agencies (SB02.3). The IRS should promote further use of “joint installment agreements” for businesses that have federal and state tax liabilities (SB04.4). And in partnership with small business stakeholders, it should make use of electronic tools — such as a small business corner on the IRS home page — or provide one-stop information, education, and registration service to the small business community (SB02.1).

• Help Businesses With Problems

Problem: Small businesses often have compliance problems because they don’t understand their obligations under the tax code. According to a 1995 IRS survey of

2,000 small businesses, “small business owners continue to perceive the IRS as strong in enforcement and generally weak in providing understandable tax information and empathetic customer service.”

One of the biggest problems small businesses have is penalties on their federal tax deposits. The IRS assesses many tax deposit penalties, although many are subsequently waived or reduced — an average of 40 percent of them during a recent three-year period. In addition, because many IRS offices administer federal tax deposit penalties, and because the interpretation of penalty administration regulations can be somewhat subjective, inconsistent treatment frequently occurs.

Small businesses are particularly affected by these problems. The IRS has found that many new business owners make mistakes on the forms or during the deposit process, and end up facing a penalty simply because they do not understand the requirements.

At the IRS Kansas City Service Center, a group of tax examining assistants took a very active approach to the problem of deposit errors. A federal tax deposits Help Line was established with the purpose of resolving business customers’ problems within 24 hours. This group has been able to resolve almost 10,000 issues for each of the past three tax years. Just as importantly, they have been able to identify problems with forms and programs. Changes resulting from these findings could help reduce the error rate on these deposits.

Actions: To help small businesses deal with the federal tax deposit system, the IRS should work with payroll

and accountant groups to help educate individuals who make deposits for small businesses (SB05.4). The IRS should test using specially trained employees to make educational telephone calls to new employers, and specifically to new employers when the IRS first discovers a mistake in their handling of their federal tax deposits (SB05.2). And it should expand the approach of the Penalty Help Line developed in Kansas City to provide assistance to small businesses (SB05.6).

To encourage greater consistency throughout the country, the IRS should develop training materials and courses to educate IRS employees about deposit requirements, penalties and consistent use of reasonable cause provisions for waiving penalties (SB05.5). It should also analyze the costs and benefits of handling all federal tax deposit penalties in one centralized location (FP04.2).

The IRS should study and make improvements regarding penalty administration for small businesses, including considering raising the threshold for forgiving penalties based on oral testimony (SB06.1). The IRS should also test the use of outgoing telephone calls in lieu of written notices in certain potential penalty situations (SB05.7). As described in Section III.b. (see p. 67), the IRS should work with troubled small businesses to help them comply, stay in business, and avoid future tax problems, expanding on successful pilot programs in California, Maine and elsewhere (SB05.8).

II.e Create A Problem Solving System That Works

“A taxpayer who has been treated unfairly should have somewhere to go, someone to fight on his or her side, someone to make the agency listen.”

President Clinton

Background: When people have a tax problem, they want to get it resolved quickly. When they are unable to resolve it, what may be a simple problem can quickly turn into a complaint. The IRS needs a better system for solving problems before they become complaints.

The IRS has Taxpayer Advocates and a Problem Resolution Program to assist taxpayers with problems relating to the organization’s administration of the tax laws. Last year, nearly 300,000 cases were brought to the attention of Taxpayer Advocate offices around the country, and cases were resolved in an average of 38 days.

The Task Force also looked at a successful IRS Taxpayer Advocate program in North Carolina that reaches taxpayers who haven’t been able to get their tax problems solved through normal channels. The IRS North Carolina district Taxpayer Advocate, Tina Junciewicz, has an annual “IRS Listens” day. She publicizes the event in area media, and then anyone with a grievance or a question involving the IRS can come in during that day and consult privately with a member of her staff. The program has been cutting red tape by

resolving a number of problems on the spot.

The Task Force found that the best companies in America handle customer problems by making it easy for employees to resolve problems and easy for customers to complain when they are dissatisfied. These companies cherish complaints as a valuable source of information about their operations and about underlying problems that they can fix at the source.

When dealing with a company with a good problem solving system, a customer can get a problem solved with one telephone call, one visit, or one letter. The Task Force found tremendous benefits in one-stop problem resolution. Not only does this practice result in much greater customer satisfaction, it can also reduce the costs of handling problems — in some cases by more than 50 percent. Every company and public sector department and agency that the Task Force looked at was seeking ways to give front-line employees the ability to solve customer problems in a single interaction.

A good problem solving system also values complaints. Generally, complaints represent the tip of the iceberg. Research shows that fewer than one in twenty people who are unhappy will formally complain to the organization. In the private sector, people don’t complain for a variety of reasons: they feel it is not worth the hassle; they don’t know where or how to complain; they don’t believe the company will do anything; or they are afraid of negative consequences. More likely, when people have a complaint, they tell their friends or neighbors; research shows that people with a complaint are likely to tell eight to ten other people.

Solving Problems: What Do the Best in Business Do?⁴

- Make it easy for customers to get their problems solved and easy to complain when they are not.
- Train and empower employees to resolve most problems in one contact.
- Track complaint data, analyze and fix root causes and report performance to top management.
- Value complaints as critical customer feedback.
- Use complaints as a key element to drive change.

The Task Force found that a good problem solving system is valuable for another reason — company after company has used it as a key part of their overall strategy. When a complaint is handled well, it reduces costs and can turn a critic into a supporter. When a complaint leads an organization to understand and fix an underlying problem, overall performance improves. And, in the public sector, when a government agency listens to people with problems and solves them, it helps establish confidence and trust.

• Resolve Customer Problems In One Contact

Problem: Customers complain that it takes too many contacts with the IRS to get tax problems resolved. They are often asked to play telephone tag with various offices to get their problems solved. These difficulties often arise because customer data are stored in multiple computer files. Employees cannot solve some taxpayer problems quickly because the informa-

tion they need is not all in one place, and different files can contain conflicting information about a taxpayer's account.

Problems with Powers of Attorney also make it difficult to resolve problems in a single contact. Taxpayers and their representatives complain that Powers of Attorney —

required so that taxpayer's representative, such as an accountant, can deal with the IRS on the taxpayer's behalf — are frequently not honored because the Power of Attorney information is not available to the IRS employee assisting them.

Actions:

One Contact: To ensure that customers get problems resolved in a single contact, the IRS should establish a process in every office that puts any run-around burden on the IRS, and removes it from the customer (C102.2). This policy would require an IRS employee either to solve the problem or find the office or person who can, and hold the employee accountable for doing so. This will entail modification of the current program requirements for "gating" or automatically transferring certain types of calls. It will require better training of front-line employees, especially in customer service techniques, as well as empowering them to use their judgment in doing everything they can to resolve an issue before it is transferred. Training and related issues are covered later in this report.

The IRS often sends taxpayers letters when there are discrepancies between what taxpayers report on tax returns and what is reported to the IRS about those same taxpayers by banks, employers or other third parties. The IRS should ensure that there is sufficient technical staffing at the telephone numbers given to taxpayers for assistance on these "underreporter" notices, and find ways to overcome the barriers to resolving these cases by telephone (C102.3). It should also develop and carry out a cost-effective plan to expand the number of IRS assistance centers working on underreporter cases, again — where possible

— using more telephone calls instead of written notices to resolve cases (C102.5).

In cases where issues could best be resolved in writing, the IRS should specifically advise taxpayers on what information and documents they need to provide (C102.4). This would help keep customers from wasting time on telephone calls when written documentation is required, or writing to IRS when a quick telephone call will resolve the problem. The IRS should also conduct an analysis and develop plans to refine and improve its toll-free service to help clarify to customers what can and cannot be resolved by telephone (C103.2, C103.3).

Empowered Employees: To ensure that employees are equipped to help customers, the IRS should ensure that an adequate supply of forms and materials are available to allow employees to do their jobs (C103.6); that employees are properly and promptly informed of new information (C103.7); and that employees have access, when appropriate, to the multiple databases and systems needed to resolve customer issues in one contact (C103.8). Working with the National Treasury Employees Union, the IRS should create more flexible job descriptions to better support the workload demand (C103.1). To empower employees who answer telephone calls, the IRS should provide simplified, agency-wide guidance that spells out what kinds of cases employees are able to resolve over the telephone (C103.4) and revisit these guidelines on a continuing basis to identify procedural changes or training needs (C103.5).

Information Support: To begin to address the problem of separate computer files, the IRS should collect its “Non-Master File accounts” in one place, load them onto a

secure on-line system to improve their accessibility (FP07.1, FP07.2), and ensure that the units in the service centers that service these accounts are properly staffed (FP07.3). For a long-term solution, the Modernization Blueprint calls for the consolidation of all accounts into a new unified system (FP07.4).

Streamlined Powers of Attorney: The IRS should emphasize to all employees the need to honor all valid Powers of Attorney and to process them promptly (FP03.1). In addition, the IRS should improve training in this area (FP03.2); establish a telephone center for authorizations (FP03.3); improve processing procedures (FP03.4, FP03.5, FP03.6, FP03.8); establish a centralized computer database to speed authorizations (FP03.9); and be able to accept Power of Attorney authorizations electronically and record them immediately while meeting privacy and security requirements (FP03.10).

• Make It Easy For People To Get Problems Solved

Problem: Taxpayers told the Task Force that they have difficulty getting problems resolved and are not sure where to turn to get help. They complain about the amount of time it takes and say they feel that normal channels are not responsive to their complaints and problems.

Actions: Even prior to the publication of this report, the IRS launched Problem Solving Days, a new initiative — patterned on the North Carolina “IRS Listens” effort — to help taxpayers get their problems solved. The first Problem Solving Day was held on November 15, 1997, at all 33 IRS district offices. Approximately 6,300 taxpay-

ers attended the event, and the vast majority were tremendously satisfied with the service they received. In fact, 75 percent of customers who responded to the day's satisfaction survey gave the IRS the top mark for overall service. The IRS will continue to hold these sessions once every month within every IRS district (C107.1).

Questions About Problem Solving Days?

Call 1-800-829-1040

In addition to creating Problem Solving Days, the Administration took other steps this fall to improve IRS performance in resolving taxpayer complaints. On October 10, 1997, President Clinton announced two major steps — the strengthening of the office of the Taxpayer Advocate and the creation of Citizen Advocacy Panels nationwide (see boxes on opposite page).

Moreover, so that IRS employees can help taxpayers in situations of emergency or hardship, the IRS should implement a policy that allows District Directors to approve and issue emergency tax refunds to customers in one business day (FP11.1).

- **Track And Use Data On Complaints**

Problem: Some problems can drag out for two or three years if the IRS and the taxpayer don't agree on an issue. IRS management needs an effective complaint tracking system to ensure that taxpayer complaints are being addressed promptly. That system must also elevate

IRS Taxpayer Advocate

To strengthen the IRS Taxpayer Advocate, the Administration will:

- expand the powers of the Taxpayer Advocate to provide relief when there have been unreasonable delays in resolving a taxpayer's issue or when a taxpayer may be subject to serious harm;
- increase local and national Taxpayer Advocates' staffs; and
- expand the Taxpayer Advocate's reporting obligations to Congress to cover informal interventions.

Independent Citizen Advocacy Panels

The Administration is creating 33 local Citizen Advocacy Panels to assist taxpayers with problems. These Panels will be made up of private citizens and will:

- refer taxpayer complaints to the Taxpayer Advocate;
- refer complaints about resolution of cases by local Taxpayer Advocates to the national Taxpayer Advocate;
- monitor local IRS customer service;
- track complaints on a local level;
- make public reports; and
- make recommendations for improvements to the national Taxpayer Advocate and the IRS Commissioner.

The Citizen Advocacy Panels will be phased in, with the first four beginning operations in selected IRS districts in 1998 and expanding nationally as quickly as possible.

those problems that aren't being addressed to higher levels in the organization. Such a system should also help the IRS identify — and then address — any systemic issues that are creating problems for taxpayers.

Actions: Beginning immediately, using the Taxpayer Advocate's Problem Resolution Information System, the IRS should track complaints (FP06.1) and, if a complaint is still unresolved after a reasonable period of time, reassign it to the next higher management level (CI07.2). To tighten accountability in the future, the IRS should set up a system that systematically raises the priority of cases that have not been addressed to ensure that the appropriate management level is involved (FP06.2). It should also design a system to ensure that individual employees and managers are held accountable for the fair and speedy resolution of problems (FP03.7). The Taxpayer Advocate should develop a process for identifying solutions to systemic problems identified by taxpayers. These solutions should be brought to the attention of the Commissioner when necessary (HP13.3).

II.f Prepare For A Paperless Future

Background: Currently, the IRS processes more than two billion transactions a year, including 200 million individual and business tax returns, interest and dividend forms, employer withholding reports, and payments. Most of these transactions still take place on paper and have to be converted into an electronic format by scanning or manually entering data — an error-prone and resource-intensive process.

The steady progress of TeleFile gives a hint of the potential for electronic filing: less paper, no mail, error rates 100 times less than with paper returns, faster refunds, and happy customers. David Gergen, Chairman of the Awards Program of the Ford Foundation and Harvard's Kennedy School of Government, said of the award-winning Telefile program, "Filing taxes can often be a complicated, time-consuming process. It's good to see that the IRS is simplifying the procedures and reducing the paperwork for citizens."

INNOVATIONS IN AMERICAN GOVERNMENT



A. Alfred Taubman Center for State and Local Government
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Yet, despite the advantages, only 10 percent of the 200 million individual and business returns are filed electronically, even though a much higher percentage of returns are prepared on computers. The actions recommended by the Task Force to increase the use of electronic filing build on the positive momentum of the IRS Electronic Tax Administration program.

While the IRS still relies heavily on paper for its one-on-one transactions with taxpayers, it is beginning to use technology to disseminate information to taxpayers more broadly — primarily through the Internet. As part of a financial world that is being revolutionized by information technology, the IRS is already making aggressive use of the World Wide Web to deliver information and forms to taxpayers. Last tax season six million forms and publications were downloaded from the IRS website and 117 million hits were logged.

For anyone with access to the Internet, the IRS Homepage is already the best place to go for tax forms and information. It is available 24 hours a day. It has virtually all IRS forms and publications. It summarizes tax regulations and has the answers to the most frequently asked taxpayer questions, among other information. The IRS Homepage has established a monthly (bi-weekly during the tax season) electronic publication called the Digital Dispatch, which has the latest tax news from the IRS.

As part of a long-term strategy to set up a system to answer taxpayer questions quickly and expertly, the IRS is also answering taxpayer questions over the Internet. During the last fiscal year, it answered more than 52,000 e-mail messages about tax laws and regulations. Sixty

percent of the e-mails were answered in one day and 93 percent within three days. Like private sector firms and other government agencies, the IRS must overcome issues related to electronic signatures, security and privacy so that all transactions can be carried out safely via the Internet.

- **Upgrade Technology To Improve Customer Service**

Problem: The IRS has not had the technology to support customer service or to support IRS employees in ways that have become standard in private industry and are increasingly common in government.

Actions: The IRS Modernization Blueprint will improve assistance to customers by making accurate, electronically accessible and up-to-the-minute information available on taxpayer returns and accounts while protecting taxpayer privacy (CI01.7).

- **Offer More Electronic Filing Options**

Problem: The IRS and taxpayers are only beginning to take advantage of the benefits of electronic filing. Many taxpayers are unaware of the benefits. Some taxpayers are not able to file electronically because their wages or interest or dividend income exceed a certain level. Issues surrounding electronic signatures and documents like W-2s that normally accompany returns, plus privacy and security concerns about electronic transactions on the Internet, also keep the electronic numbers down.

Actions:

Expand TeleFile: By 1998 the IRS should increase by 3 million, or about 10 percent, the number of taxpayers who are eligible to use TeleFile — the telephone filing system (FP09.2). The IRS should market TeleFile aggressively to individual taxpayers (FP09.5), and extend TeleFile for businesses to allow small companies to meet federal tax deposit reporting requirements over the phone (FP09.3). The



IRS should also continue to expand eligibility for TeleFile by raising the dollar ceilings on income for electronic filers and by raising the dollar limits for interest and dividends in TeleFile options.

Develop Paperless Tax Filing: The IRS should increase the number of forms that can be filed electronically and

educate customers about the benefits of electronic filing — fewer hassles, fewer contacts with the IRS, and faster refunds (FP09.4). To get a truly “paperless” system of electronic filing, in 1999 the IRS should work to eliminate the need for mailing in W-2s, other forms and paper signatures (FP09.7). The IRS should also determine how to issue notices electronically (NC02.11, NC02.12).

Work With the Private Sector: The IRS should solicit ideas from private industry and tax practitioners to increase the use of electronic filing (FP09.1). The organization should also conduct extensive market research to find out how electronic filing can better meet customer needs (FP09.6), and use this information as a basis for new services (FP09.9).

These services should include allowing taxpayers to resolve tax questions by e-mail, rather than having to write or telephone the IRS, if the IRS can do so without jeopardizing taxpayer privacy (FP09.10). Also, tax practitioners should be offered the option of filing an electronic Power of Attorney which could be processed in one day instead of the average of 26 days it currently takes to process the hard copy version (FP09.11).

• **Introduce New Payment Options**

Problem: Although 15 million taxpayers receive tax refunds through electronic deposits to their bank accounts, there are no provisions for taxpayers to use automatic withdrawals, debit cards or credit cards to pay their taxes.

Actions: For the first time, beginning in 1999 taxpayers who file their returns electronically will be able to pay their taxes with a direct withdrawal from their bank accounts — in much the same way consumers now pay their mortgages or utility bills (FP09.8). The IRS is also seeking credit industry partners to pilot-test credit cards for taxpayers who file electronically in 1999 (FP09.12). The idea is popular with taxpayers, and a number of state and local jurisdictions have already successfully allowed the use of both debit and credit cards for tax payments.

• **Promote One-Stop Service On A World Class Web Site On The Internet**

Problem: As the information technology and communications industries evolve, the IRS will need to continue to move aggressively to take full advantage of the potential of the Internet to provide enhanced customer services on its website.

Actions: The IRS should continue to improve and promote the use of the Internet to provide new services and products (FP09.13).

Got A Question for the IRS?

Try the IRS Homepage on the World Wide Web

<http://www.irs.ustreas.gov>



III. A Customer Service Revolution

In 1993, President Clinton issued an Executive Order calling for a “customer service revolution” in how government agencies provide services to the American public. Nothing less could change the underlying systems and behavior that have evolved in many government agencies over decades of doing business the old way.

Since its creation in 1862, the IRS has always had two roles. It is charged with collecting nearly all of the revenue due to the federal government. Yet it is also expected to promote voluntary compliance with the tax laws by serving its customers, the taxpayers. As the National Commission on Restructuring the Internal Revenue Service brought to light in its 1997 report, the IRS often gets conflicting messages from oversight organizations about which role comes first. In the past, the IRS has heavily favored tax collection, with customer service taking a back seat. Perhaps this is no more clearly illustrated than in staff distribution: 60 percent of the more than 100,000 IRS employees are engaged in enforcement, 8 percent in customer service.⁵ Similarly, the current mission statement of the IRS does not place enough emphasis on customer service.

The President, the Congress, oversight bodies and the public have recently said in no uncertain terms that they

⁵ IRS 1996 Data Book.